



ಕರ್ನಾಟಕ ರಾಜ್ಯಪತ್ರ

ಅಧಿಕೃತವಾಗಿ ಪ್ರಕಟಿಸಲಾದುದು

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ರಾಜ್ಯ ಸರ್ಕಾರದ ಮುಖ್ಯ ಆಡೇಶಗಳು ಹಾಗೂ ಸುತ್ತೋಲೆ ಮುಂತಾದ
ಎಲ್ಲಾ ಇಲಾಖೆಗಳಾಗೂ ಸಂಬಂಧಿಸಿದ ಆಡೇಶಗಳು

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

SUBJECT: Devolution of funds to the Panchayat Raj Institutions and Urban Local Bodies for FY 2024-25 on the recommendations of the Fifth State Finance Commission.

READ: Government Notification No: FD 264 EXP 2022, dated: 11.10.2023

PREAMBLE:

1. The Fifth State Finance Commission was constituted vide notification read above, to review the financial position of Panchayat Raj Institutions and Urban Local Bodies and make recommendations to His Excellency Governor as required under article 243(I) and 243(Y) of the constitution of India regarding matters affecting their finance and devolution of funds from State Government.
2. The Commission has submitted its report covering FY 2024-25 to His Excellency Governor on 19th February, 2024. This report of the Commission has been presented before both the houses of State Legislature on 23.02.2024.
3. The recommendations of the 5th State Finance Commission in its report for the year 2024-25 are as below:
 - a) Devolution of funds to Local Bodies is based on the Non-Loan Net Own Revenue Receipts (NLNORR) concept for Fiscal Devolution to arrive at divisible pool.

b) The Commission recommends the scheme of devolution for the year 2024-25. The report for the remaining award period will be furnished in due course.

c) The devolution of Finance to be 49% of NLNORR, out of which share of PRIs is 35%, share of ULBs is 13% with additional 1% to BBMP.

d) The ratio of Untied to Tied Grants to Local Bodies should be 50:50 respectively.

e) An additional 1% of the overall allocation of funds to the PRIs and ULBs under SFC Grants every year to all the PRIs and ULBs of Coastal and Malnad district areas.

f) Devolution of funds to BBMP and all City Municipal Corporations should be “ward wise”, ensuring equitable allocation among all the wards.

g) Allocation of untied grant to PRIs as below:

Allocation of untied grant to each	ZP	TP	GP
Minimum	500 Lakhs	300 Lakhs	20 Lakhs
Maximum	1000 Lakhs	400 Lakhs	60 Lakhs

b) Commission also recommends the continuation of the Establishment Grant as follows:

Establishment Grant recommended to PRIs and ULBs				
(Rs.in Lakhs)				
Sl. No	PRIs		ULBs	
1	ZP	100	MC	200
2	TP	25	CMC	100
3	GP	5	TMC	50
4			TP	25
5			NAC	10

i) The devolution among the PRIs to be in the same ratio as recommended by 4th State Finance Commission at 38.61:53.64:7.76. And the devolution of funds among the ULBs to be based as recommended by 4th SFC on four parameters 1) Population 40% 2) Area 20% 3) Level of illiteracy 20% and 4) SC/ST Population 20%.

j) Other Fiscal Administrative / Governance and institutional recommendations include to strengthen PRIs & ULBs in respect of framing the rules under the Karnataka Local Fund Authorities Fiscal Responsibility Act, 2003, delegation of powers to ULBs, responsibility mapping of activities of PRIs, Metering of electrical installations, disconnection of unused electrical installations, preparation of GP link document, collection of arrears of tax, funding training programs, revision and collection of property tax by ULBs based on the guidance value, Maintenance of assets, preparation of MTFP by BBMP, formatting a training policy for elected representative and employees of ULBs, making DPCs functional and effective, separate link document relating to budget allocation in respect of all State sector schemes, constitution of High Level Committee(HLC) headed by Chief Secretary to review the action taken on recommendation of CFCs and SFCs, taking necessary action to duly constitute Local Bodies and early approval and enactment of Karnataka State Audit Act.

4. The report of the Commission for the year 2024-25 has been analysed and examined in detail with respect to the implementability of the recommendations made therein keeping in view the devolution and its overall financial implications on the available resources of the State. Despite recognizing the grave fiscal challenges being faced by the State including lesser allocation under 15th Central Finance Commission, the 5th SFC has gone ahead to recommend the increase of 1% in the devolution to the Local Bodies. The responsibilities of the State Government both in areas of welfare and development activities have greatly increased in recent years compared to those of Local Bodies.

5. In addition, the State is spending on the 5 flagship guarantee programmes, and reducing the share of the State by another 1% will lead to severe shortage in availability of funds towards these guarantee schemes as well as towards Capital Expenditure . Therefore, accepting the recommendation of the Commission regarding giving an additional devolution of 1% of NLNORR would be difficult to accept and Commission's recommendation of an exclusive 1% share of NLNORR towards BBMP would not be feasible because unlike other ULBs, the State Government is

providing significant grants to parastatals like BMRCL, BWSSB, Sub-Urban Rail, BMTC etc.

6. In view of the above, the Government is of the view that the accepting recommendations of the 5th State Finance Commission in the present form would be difficult. Therefore, regarding difficulties in implementing the Commission's recommendations in total across PRI and ULBs, cabinet approval has been obtained to accommodate concerns of both the Government and of SFC recommendations and hence the following order.

GOVERNMENT ORDER NO: FD 264 EXP6 2022, dated: 07TH March 2024

After having studied the recommendations of the 5th State Finance Commission in its report for FY 2024-25 and considering the difficulties in implementing them, the Government is pleased to order the following:

- 1) The total funds to be devolved to Local Bodies shall be 48% of Non-Loan Net Own Revenue Receipts (NLNORR), out of which 35% will be allocated to Panchayat Raj Institutions and 13% to Urban Local Bodies, including BBMP.
- 2) Untied grants to ZPs, TPs and GPs shall continue to be as below:

(in Lakhs per annum)

Allocation of untied grants to each	Minimum	Maximum
ZP	400	800
TP	200	300
GP	12	35

- 3) To continue having flexibility in apportioning grants among various categories of PRIs and ULBs as earlier, which would best address the needs at each level as against the exact ratios prescribed in the recommendations.
- 4) The budget allocation to parastatals like KUWSDB, BWSSB, BMRCL, KUIDFC etc., matching State share released towards CSS Schemes and other State Schemes being implemented by Local Bodies shall be considered as devolution to Local Bodies.

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- 5) The devolution of funds as recommended by 5th State Finance Commission will be matched by shifting of schemes and programmes from State Sector to Local Bodies Sector.
- 6) The ratio on Untied to Tied grants to Local Bodies shall continue to be the same as adopted in the present allocation.
- 7) The recommendation regarding budget link documents for the TPs and GPs on same lines as ZP link document as well as wardwise devolution to ULBs would be considered based on the practical and technical feasibility of the same.
- 8) Regarding Strengthening Measures specific PRIs and ULBs, action would be taken to implement in phased manner.

By order and in the name of the Governor
Of Karnataka,

(SHREEKRISHNA N. BUGATYAGOL)
Special Officer and Ex-officio Joint Secretary to Govt.,
Finance Department.

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